

## **WARNING**

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Family Name	
Given Names	
Student Number	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Teaching Period	Semester 1, 2017

FINAL EXAMINATION	DURATION				
ECO504 – Business Economics	<table> <tr> <td>Reading Time:</td><td>10 minutes</td></tr> <tr> <td>Writing Time:</td><td>180 minutes</td></tr> </table>	Reading Time:	10 minutes	Writing Time:	180 minutes
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### INSTRUCTIONS TO CANDIDATES

<b>Section A:</b> Suggested Time: 60 mins	<b>Multiple Choice Questions:</b> Answer ALL 40 questions. Marks as indicated on paper
<b>Section B:</b> Suggested Time: 80 mins	<b>Short Answer Questions:</b> Answer ANY 4 questions out of 7 questions. Marks as indicated on paper.
<b>Section C:</b> Suggested Time: 40 mins	<b>Short Essay Questions:</b> Answer ANY 1 of 2 questions. Marks as indicated on paper.

### EXAM CONDITIONS

**You may begin writing from the commencement of the examination session.** The reading time indicated above is provided as a guide only.

This is a RESTRICTED OPEN BOOK examination

Any non-programmable calculator is permitted

No handwritten notes are permitted

Any hard copy, unannotated English dictionary is permitted

ADDITIONAL AUTHORISED MATERIALS	EXAMINATION MATERIALS TO BE SUPPLIED
none	1 x 16 Page Book 1 x Scrap Paper

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DOUBLE-SIDED.**

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## Section B

### Short Answer Questions

**Total no. of marks for this section: 40**

Answer **any four** questions out of seven questions

This section should be answered in the Answer Booklet provided. Each question is worth ten marks. Suggested time allocation for Section B: 80 minutes.

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#### **Question 1**

A government wants to cut the incidence of smoking in the country. It imposes a tax of \$5 on a packet of cigarettes to be paid by the producer. Describe the change in both producer and consumer surplus as a result of this tax. Use a diagram to illustrate your answer.

**(10 marks)**

#### **Question 2**

Suppose the economy is operating in a recession. How will the economy adjust to the long-run natural rate on its own if policymakers do not interfere? Use aggregate demand-aggregate supply diagram to explain your answer.

**(10 marks)**

#### **Question 3**

At what point does perfectly competitive firm maximize profit? Use a diagram to illustrate your answer.

**(10 marks)**

#### **Question 4**

Consider the market for pizza using supply and demand. Explain the effect of each of the following with the help of a diagram on equilibrium price and quantity.

- a) An existing pizza parlor stops selling pizza and starts another business.
- b) A decrease in the price of cheese.
- c) An increase in the number of burger parlours
- d) A study linking pizza with heart disease

**(10 marks)**

#### **Question 5**

Explain how unemployment rate is calculated.

**(10 marks)**

### **Question 6**

Suppose the Chinese government increases government expenditure to tackle recessionary pressures in the economy. Using the model of aggregate demand and aggregate supply, identify the curves that are affected, and which way these curves would shift. Clearly explain the new equilibrium.

**(10 marks)**

### **Question 7**

Consider the following demand schedule.

Price	Quantity demanded
\$25	20
20	40
15	60
10	80
5	100

What is the price elasticity of demand between

- a)  $P = \$25$  and  $P = \$20$ ?
- b)  $P = \$20$  and  $P = \$15$ ?
- c)  $P = \$15$  and  $P = \$10$ ?
- d)  $P = \$10$  and  $P = \$5$ ?

**(10 marks)**

**Section C**  
**Short Essay Questions**

**Total No of Marks for this section: 20 marks**

Answer **any one** questions out of two questions

This section should be answered in the Answer Booklet provided. Each question is worth 20 marks. Suggested time allocation for Section C: 40 minutes

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**Question 1**

Explain the aggregate demand and aggregate supply model and shape of each curve. List the factors that determine the slope of aggregate demand and supply. How will an increase in aggregate demand impact inflation. Explain using diagrams.

**(20 marks)**

**Question 2**

Compare perfect competition and monopolistic competition. Under what conditions would a perfectly competitive firm and monopolistically competitive shut down? Illustrate your answer with diagrams.

**(20 marks)**